February 27, 2013

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Room TW-A325
Washington, D.C. 20554

RE: **Ex parte filing** in WC Docket Nos. 10-90 and 05-337

Dear Ms. Dortch:

On February 25, 2013, Brenda Shepard of TelAlaska, Dave Dengel of Copper Valley Telecom and the undersigned met with Nick Degani, Legal Advisor to Commissioner Pai.

We discussed the issue of all of Alaska being federally designated by the Bureau of Indian Affairs as 100% Tribal, yet the Regression model has assigned Tribal percentages to all Alaska companies at less than 100% and inconsistent relative to each other. We also pointed out the Wireline Competition Bureau had acknowledged the error in July 2012 and promised to correct the data, which to date has not occurred.

We also questioned the model's underlying data inputs on Climate that contradicts the intent of the statements, "the lower the minimum temperature, the more days the ground is likely to be frozen. …, the higher the index, the more frost free days the area should have, so construction costs should be lower." Inputting the assigned indices from the USDA Plant Hardiness Zone map without inverting their value has the opposite effect to the logical assumption on duration of frozen soil's impact on construction costs above. We also briefly discussed the Alaska negative Capex Regression co-efficient.

The balance of our meeting was spent providing information on a privately funded, undersea fiber project (http://arcticfibre.com) that is being constructed in 2013 - 2014 and which plans to bring fiber optic landings to the North Slope and Northwest Arctic Boroughs and the Seward Peninsula of Alaska. We pointed out the preliminary pricing and capacity for connectivity to this fiber is vastly superior to the existing satellite middle

mile, as well as the latest terrestrial middle mile project, TERRA, built with a combination of Federal grant and loan funding. This fiber holds the promise to finally bringing true broadband to much of Alaska, creating middle mile competition which will lower the amount of support needed, not only for the High Cost Fund, but also Schools and Libraries and Rural Healthcare and puts support for rural Alaska on a sustainable, lower cost path.

We finished our meeting expressing our concern that the lack of predictability that the Quantile Regression Analysis model has brought to rural rate of return carriers is impeding our ability to secure capital funding to construct next generation networks. In our instance, there could be a real world consequence to rural Alaskans *and* a missed opportunity to reduce dependence on USF if we are not able to fully take advantage of the once in a generation opportunity represented by the Arctic Fibre project.

As required by the Commission's rules, this ex parte record is now filed in the above referenced dockets. If there are any questions, please call me at 907-563-3989.

Respectfully submitted,

/s/

Stephen Merriam, CEO

Arctic Slope Telephone Association Cooperative, Inc.

Copy to:

Nick Degani

Brenda Shepard

David Dengel

Jeff Smith, GVNW

Attachment: AFI and the Closing of the Digital Divide

## AFI and the Closing of the Digital Divide

**Arctic Fibre**, (AFI) a Canadian based corporation is laying a fiber from Tokyo to London for the financial markets. It will traverse the NW and N coast of Alaska with plans for a series of landings across Canada via the Northwest Passage.

**Quintillion Networks, LLC.**, (QN) has the exclusive contract to develop landings to the Alaska coastline. Currently, QN has committed to making landings in 5 communities, Prudhoe Bay/Deadhorse, Barrow, Wainwright, Kotzebue and Nome. Additional sites are being evaluated.

The **ILEC's** serving these communities are partnering with QN to be their meet point, provide on-site O&M and distribute the bandwidth to other carriers, community anchor institutions, small businesses and residents alike.

Unlike **TERRA SW,** which was funded by a stimulus grant and low interest funding from RUS, QN is capitalized without any Federal funding.

Due to the exponentially greater capacity of the **AFI** fiber, **QN's** preliminary pricing estimates are a small fraction of satellite middle mile costs and those charged to **ILEC's** trying to access capacity on **TERRA SW**, which is priced at satellite or higher rates.[1]

[1] See TERRA GCI rate sheet at http://assets.gci.com/2010/11/GCI-Terra-Posting-Oct-22-clean.pdf

## Benefits of AFI Connectivity

- Fiber connectivity will lower the ILEC's operating costs dramatically which lowers its dependence on USF to make a business case. This relieves pressure on the fund and achieves the FCC's goals of sustainability and broadband deployment to unserved areas, a win-win.

- Fiber connectivity will decrease the cost to the Federal and State government whether purchasing bandwidth for research, defense or other functions.

- Fiber connectivity lowers the financial support needed for the High Cost, Schools and Libraries and Rural Health Care Funds. It creates opportunities for distance learning, civil participation with government, economic development, e-commerce and social media, all of which lower costs, improve quality of life and raise revenue.

- This could be remarkable success story for the FCC, RUS, Congress and the Administration. The first step is to take immediate corrective action on the identified errors in the QRA model that misstate % Tribal Lands, relationship of climate to costs and the negative Alaska Capex co-efficient so that companies have the ability to secure long term RUS funding.